

ORIGINAL



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BEFORE THE ARIZONA CORPORATION COMMISSION

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2014 OCT 17 11:11 AM  
AZ CORP COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission

**DOCKETED**

OCT 17 2014

DOCKETED BY

IN THE MATTER OF THE  
APPLICATION OF FARMERS WATER  
CO., AN ARIZONA CORPORATION,  
FOR A DETERMINATION OF THE  
CURRENT FAIR VALUE OF ITS  
UTILITY PLANT AND PROPERTY  
AND FOR INCREASES IN ITS RATES  
AND CHARGES FOR UTILITY  
SERVICE.

DOCKET NO. W-01654A-13-0267

**NOTICE OF FILING REVISED  
EQUITY/RATE BASE  
IMPROVEMENT PLAN; BMP'S ON  
FILE WITH ADWR; AND WATER  
LOSS REPORT**

Farmers Water Co. ("Company"), through undersigned counsel, hereby files the following compliance items set forth in Decision No. 74603:

1. Revised Equity/Rate Base Improvement Plan (Exhibit 1);
2. A copy of Farmers Water Co.'s BMPs on file with the Arizona Department of Water Resources (Exhibit 2); and
3. A report containing a detailed analysis and plan to reduce water loss to 10 percent or less for its Continental and Sahuarita Highlands water systems (Exhibit 3).

DATED this 17<sup>th</sup> day of October, 2014.

MUNGER CHADWICK, P.L.C.

Robert J. Metli  
2398 E. Camelback Road, Suite 240  
Phoenix, AZ 85016  
Attorneys for Farmers Water Co.

1 ORIGINAL and thirteen (13) copies  
2 filed this 17<sup>th</sup> day of October, 2014:

3 Docket Control  
4 Arizona Corporation Commission  
5 1200 W. Washington Street  
6 Phoenix, Arizona 85007

7 COPY of the foregoing mailed/hand-  
8 delivered this 17<sup>th</sup> day of October, 2014, to:

9 Lyn Farmer  
10 Chief Administrative Law Judge  
11 Arizona Corporation Commission  
12 1200 West Washington Street  
13 Phoenix, Arizona 85007

14 Jane Rodda  
15 Administrative Law Judge  
16 Arizona Corporation Commission  
17 400 West Congress  
18 Tucson, Arizona 85701

19 Janice Alward  
20 Chief Legal Counsel  
21 Legal Division  
22 Arizona Corporation Commission  
23 1200 West Washington Street  
24 Phoenix, Arizona 85007

25 Steve Olea  
26 Director  
Utilities Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

By 

**Exhibit 1**

**Farmers Water Co.**  
**Revised Equity Improvement Plan**  
**Docket No. W-01654A-13-0267**  
**Decision No. 74603**  
**July 30, 2014**

**I. Background**

Decision No. 74603 orders "that Farmers Water Company shall file as a compliance item in this docket within 90 days of the effective date of this Order, a revised Equity/Rate Base Improvement Plan that acknowledges the role of additional paid-in-capital in attaining and maintaining a more balanced capital structure, as more fully described herein." Decision No. 74603, page 27, lines 1 – 4. In conformity with this order, Farmers Water Co.'s Revised Equity Improvement Plan is as follows:

**Revised Equity Improvement Plan**

1. Because equity growth will primarily come from internally generated Retained Earnings derived from Operating Income, the Company will attempt to maintain the operating margin authorized by the Commission by filing new rate applications as often as practical and necessary.
2. File emergency rate applications as necessary when the Company incurs significant, prudent and necessary expenses but does not have the ability to pay, while maintaining the authorized operating margin.
3. Reinvest available Operating Income in new plant and equipment. This has the equally important benefit of increasing Rate Base.
4. The Company will limit reliance on developer funded plant (contributions and advances) and invest its own capital where feasible.
5. Apply for Accounting Order(s) as necessary, to defer prudent and necessary expenses for consideration of recovery in subsequent rate cases.
6. While the Company has typically not paid cash dividends above the amount necessary to reimburse shareholders for income taxes on the distributive share of the income from the Company, the Company will continue to suspend cash dividends beyond that amount.
7. The Company acknowledges the role of additional paid-in-capital in attaining and maintaining a more balanced capital structure. In an effort to attain a more balanced capital structure that is not over-reliant on CIAC or AIAC, the Company's shareholder(s) are committed to contribute additional paid-in capital if internally generated cash flow is inadequate to fund capital projects necessary to provide safe and reliable service.

## **Exhibit 2**

**Farmers Water Co.  
BMP Report  
Docket No. W-01654A-13-0267  
Decision No. 74603  
July 30, 2014**

**I. Background**

Decision No. 74603 orders:

[T]hat Farmers Water Company shall file with Docket Control, as a compliance item in this docket, within 90 days of the effective date of this Decision, either evidence that it has BMPs on file with the Arizona Department of Water Resources, or file with Docket Control at least the number of BMPs that would otherwise be required by the Arizona Department of Water Resources for companies of Farmers Water Company's size, and a public education program, in the form of tariffs that substantially conform to the templates created by Staff for the Commission's review and consideration. Decision No. 74603, page 26, lines 9 – 11.

Attached as Exhibit A is a copy of Farmers Water Co.'s BMPs on file with the Arizona Department of Water Resources. Attached as Exhibit B are copies of Farmers Water Co.'s invoices that include its monthly communications to customers about water conservation.

**II. Farmers Water Co.'s BMP Requirements**

Farmers Water Co. is regulated by the Arizona Department of Water Resources as a Large Municipal Provider under the Modified Non-Per Capita Conservation Program ("Program"). The Program applies to Large Municipal Providers that do not have a Designation of Assured Water Supply. A Large Municipal Provider is a provider that serves more than 250 acre-feet of water per year for non-irrigation use. This Program applies to Farmers Water Co. because it serves more than 250 acre-feet of water per year for non-irrigation use and it does not have a Designation of Assured Water Supply.

The Arizona Department of Water Resource's Program requires providers to implement: (1) one BMP for up to 5,000 connections; (2) five BMPs for 5,001 to 30,000 connections; and (3) ten BMPs for greater than 30,000 connections. As of September 2014, Farmers Water Co. had 2,875 connections. Thus, Farmers Water Co. is required to implement one BMP under the Arizona Department of Water Resources Program. Attached as Exhibit A is a copy of Farmers Water Co.'s BMPs on file with the Arizona Department of Water Resources.

**III. Public Education Program**

Farmers Water Co. has a public education program whereby it communicates to its customers about water conservation on monthly invoices. Attached as Exhibit B are copies of Farmers Water Co.'s invoices that include its monthly communications to customers about water conservation. Farmers Water Co. also provides free written water conservation material in its office reception area, as attachments to new service account applications, and on its website.

**IV. Conclusion**

Farmers Water Co. complies with the applicable BMP and Public Education requirements.

## EXHIBIT A

# SCHEDULE CER 2013

ARIZONA DEPARTMENT OF WATER RESOURCES

## CONSERVATION EFFORTS REPORT

MODIFIED NON-PER CAPITA CONSERVATION PROGRAM

## ANNUAL REPORT 2013

Farmers Water Co.

56-000080.0000

### SERVICE AREA INFORMATION

Total residential and non-residential connections reported on your most recent Provider Profile:

\_2441\_

☒ Tier 1 (1 - 5000)

• Tier 2 (5001 - 30,000)

• Tier 3 (more than 30,000)

Total residential and non-residential connections as of December 31, 2012: (See Schedule F1, Part 2, Box 21)

\_2807\_

☒ Tier 1 (1 - 5000)

• Tier 2 (5001 - 30,000)

• Tier 3 (more than 30,000)

Did your system transition to a higher tier during this reporting year?  
If yes, has a new Provider Profile been submitted?

Yes \*

Yes \*

No ☒

No \* If no, please attach

Have you submitted a copy of your current rate structure to ADWR?

Yes ☒

No \* If no, please attach

### PUBLIC EDUCATION PROGRAM

See page 3 for additional instructions. You may attach additional pages, information, or materials.

**1. Communication to Customers:** Describe how you communicated to customers (at least twice per year) about the importance of conservation and the availability of water conservation information. Please include the following information:

Farmers Water Co. provides customers with water conservation tips and ideas on its monthly billing statements. This form of outreach ensures that all customers within its system receive these communications. Farmers Water Co. plans to continue this form of outreach throughout the current calendar year.

**2. Written Materials:** Describe the free written conservation information you provided to customers. Include the locations where available and your plans for the current calendar year. Please include the following information:

Farmers Water Co. distributes free water conservation booklets, pamphlets, and leaflets at the utility's reception area. Farmers Water Co. plans to continue this form of outreach throughout the current calendar year.



# SCHEDULE CER 2013

ARIZONA DEPARTMENT OF WATER RESOURCES

## BEST MANAGEMENT PRACTICES (BMPs) IMPLEMENTED PER YOUR MNPCCP REQUIREMENTS

Describe the following for each BMP:

**1. Activities** - What was developed, created or implemented, such as the processes, methods or events undertaken; where and how a program was made available; the participants or target audience.

Note: For a BMP implemented through participation in a partnership, describe the nature of your participationsuch as staff time, funding, and/or provision of supplies.

**2. Results** - What was accomplished, such as the number of activities, programs or materials created, the participants reached and their response, and other quantitative data.

**3. Assessment** - What worked and what needs modification or improvement; reasons for continuing or discontinuing an activity, such as whether or not a target audience was reached, materials or activities were effective, or the level of participation was adequate.

**4. Plans** - Whether or not a program or activity will be continued, discontinued, increased, decreased, or modified.


**5. Substitution Explanation if Applicable** - Describe the reasons for the substitution, when it was made and the relevance of the substitute BMP to your service area characteristics or water use patterns.

BMP Number	BMP Name	
4.2	Meter Replacement	FWC completed 100% meter replacement in the Spring of 2012. Assessing the effectiveness of this meter replacement program is ongoing. FWC plans to install new meter service consistent with the meters that were installed during the meter replacement program.

## OPTIONAL: BMPs IMPLEMENTED IN ADDITION TO THOSE DESCRIBED ABOVE

If you implemented more BMPs than required, please list and/or describe them. This will enable ADWR to assess and document water conservation efforts around the state

## SIGN AND CERTIFY

	Executive V.P.	3/24/14
SIGNATURE OF PERSON COMPLETING THIS FORM	TITLE	DATE
Matt Bailey	mbailey@greenvalleypecan.com	
PRINTED NAME	EMAIL ADDRESS	

-If you need help or have questions, contact ADWR Water Management Division at (602) 771-8585.

-For another copy of the Schedule CER form, go to Current Annual Reports at: <http://www.azwater.gov/AzDWR/PermitsFormsApplications>.

-For more information about the MNPCCP, visit <http://www.azwater.gov/mnpccp>.

## **EXHIBIT B**

**RETURN THIS PORTION  
WITH PAYMENT TO:**

**FARMERS WATER CO.**  
P.O. Box 7  
Sahuarita, AZ 85629

**OR  
PAY ONLINE:**  
[www.farmerswaterco.com](http://www.farmerswaterco.com)



**KEEP THIS PORTION FOR YOUR RECORDS**

**1525 E. Sahuarita Road  
Office: (520) 879-7474**

**Your water bill is not a flat fee;  
the more you use, the more you pay!**

Here are some simple water-saving tips:

- Install a 1.6 gal-per-flush toilet
- Fix faucet leaks immediately
- Install a low-flow showerhead

**EMERGENCY ONLY  
(520) 591-3178**

The company does not guarantee or insure uninterrupted service, nor does the company represent the presence of adequate pressure, volume, or fire flow available on the system by offering water service.

**RETURN THIS PORTION  
WITH PAYMENT TO:**

**FARMERS WATER CO.**  
P.O. Box 7  
Sahuarita, AZ 85629

**OR  
PAY ONLINE:**  
[www.farmerswaterco.com](http://www.farmerswaterco.com)



**KEEP THIS PORTION FOR YOUR RECORDS**

**1525 E. Sahuarita Road  
Office: (520) 879-7474**

**Your water bill is not a flat fee;  
the more you use, the more you pay!**

Here are some simple water saving tips:

- Don't let water run while you clean vegetables
- Use dishwasher only for full loads
- Scrape instead of rinsing dishes before loading

**EMERGENCY ONLY  
(520) 591-3178**

The company does not guarantee or insure uninterrupted service, nor does the company represent the presence of adequate pressure, volume, or fire flow available on the system by offering water service.

**RETURN THIS PORTION  
WITH PAYMENT TO:**

**FARMERS WATER CO.**

P.O. Box 7  
Sahuarita, AZ 85629

**OR**

**PAY ONLINE:**

**[www.farmerswaterco.com](http://www.farmerswaterco.com)**



**KEEP THIS PORTION FOR YOUR RECORDS**

**1525 E. Sahuarita Road**

**Office: (520) 879-7474**

**Your water bill is not a flat fee;  
the more you use, the more you pay!**

Here are some simple water-saving tips:

- Water early morning or late at night
- Keep irrigation systems leak-free and well maintained
- Landscape with low-water use plants

**EMERGENCY ONLY**

**(520) 591-3178**

The company does not guarantee or insure uninterrupted service, nor does the company represent the presence of adequate pressure, volume, or fire flow available on the system by offering water service.

### **Exhibit 3**

**Farmers Water Co.**  
**Water Loss Report for Continental and Sahuarita Highlands Water Systems**  
**Docket No. W-01654A-13-0267**  
**Decision No. 74603**  
**July 30, 2014**

**I. Background**

Decision No. 74603 orders "that Farmers Water Company shall prepare a report containing a detailed analysis and plan to reduce water loss to 10 percent or less for its Continental and Sahuarita Highlands water systems." Decision No. 74603, page 26, lines 9 – 11. As further analyzed and described below, Farmers Water Co. already implemented measures that have reduced water loss in its Continental and Sahuarita Highlands water systems below 10 percent.

**II. Continental Water System**

Farmers Water Co.'s 2012 water loss in its Continental water system was 10.21 percent. Farmers Water Co.'s current water loss in its Continental water system is averaging about 5 percent. The decrease in water loss is the result of measures Farmers Water Co. previously implemented.

In early 2012, Farmers Water Co. observed consistent monthly water losses above 10 percent in its Continental water system. In response Farmers Water Co. conducted a system-wide audit to identify the source, or sources, of water loss. In April 2012, Farmers Water Co. identified and repaired two (2) water loss issues. First, Farmers Water Co. replaced a faulty 3" water meter that was under recording flow through its sensor. Second, Farmers Water Co. repaired a leaking pipe that, although not previously identified, apparently was leaking for at least a month prior to discovery. Water loss in Farmers Water Co.'s Continental water system is averaging about 5 percent since it implemented these replacements and repairs.

Attached as Exhibit A is a copy of Farmers Water Co.'s Continental water system Water Use Data Sheet by Month from its 2013 Annual Report. This Water Use Data Sheet reflects a current water loss of 4.66 percent.

**III. Sahuarita Highlands Water System**

Farmers Water Co.'s 2012 water loss in its Sahuarita Highlands water system was 22.14 percent. After further review, it was discovered that Farmers Water Co. inadvertently omitted its Sahuarita Highlands construction water volume from the "Gallons Sold" volume in its 2012 Annual Report. The 2012 construction water volume for the Sahuarita Highlands water system is included in Table 1.

**Table 1. Sahuarita Highlands 2012 "Gallons Sold"**

	<b>REPORTED Gallons Sold (Thousands)</b>	<b>OMITTED Construction Gallons Sold (Thousands)</b>	<b>REVISED Gallons Sold (Thousands)</b>	<b>REPORTED Gallons Pumped (Thousands)</b>
<b>Oct – 11</b>	205	28	233	232
<b>Nov – 11</b>	204	223	427	422
<b>Dec – 11</b>	243	46	289	300
<b>Jan – 12</b>	216	0	216	248

<b>Feb - 12</b>	267	38	305	324
<b>Mar - 12</b>	282	0	282	286
<b>Apr - 12</b>	291	108	399	386
<b>May - 12</b>	370	56	426	449
<b>Jun - 12</b>	333	0	333	299
<b>Jul - 12</b>	299	0	299	445
<b>Aug - 12</b>	349	150	499	411
<b>Sep - 12</b>	307	80	387	521
<b>SUM</b>	3,367	729	4,096	4,323

Incorporating the construction water volume into the "Gallons Sold" reflects the 2012 water loss of 5.25 percent.

Farmers Water Co. has since implemented changes with its construction water program, which should prevent any similar inadvertent omissions in the future. Historically, Farmers Water Co. accounted for construction water sales based on load counts for unassigned customers. In October 2012, Farmers Water Co. implemented a new construction water program, whereby all construction water customers are issued a construction meter and administered as an assigned customer. This new program has resulted in more efficient account administration. Consequently, inadvertent reporting omissions should not occur in the future.

Attached as Exhibit B is a copy of Farmers Water Co.'s Sahuarita Highlands water system Water Use Data Sheet by Month from its 2013 Annual Report. This Water Use Data Sheet reflects a current water loss of 3.28 percent.

#### **IV. Conclusion**

Farmers Water Co.'s current water loss for its Continental and Sahuarita Highlands water systems are 4.66 and 3.28 percent, respectively. Farmers Water Co. will continue its regular water system monitoring and diligence as part of its efforts to maintain water losses below 10 percent.

## EXHIBIT A



COMPANY NAME: Farmers Water Co.	9/30/13
Name of System: Continental	ADEQ Public Water System Number: PWS 10-049

### WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2012

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
OCTOBER 12	1,209	15,402	16,119	0
NOVEMBER 12	1,213	10,978	11,824	0
DECEMBER 12	1,221	11,568	12,104	0
JANUARY 13	1,225	11,125	11,506	0
FEBUARY 13	1,230	10,505	11,312	0
MARCH 13	1,240	10,860	10,545*	0
APRIL 13	1,242	15,306	15,998	0
MAY 13	1,242	13,048	13,826	0
JUNE 13	1,248	22,155	23,228	0
JULY 13	1,250	19,172	20,248	0
AUGUST 13	1,253	16,074	17,003	0
SEPTEMBER 13	1,255	17,787	18,776	0
<b>TOTALS →</b>		<b>173,980</b>	182,489	0

\*Within storage tank capacity.

What is the level of arsenic for each well on your system?

(If more than one well, please list each separately.) E-5A: 5.7 (ppb)

E-13A 4.5 (ppb)

If system has fire hydrants, what is the fire flow requirement? 1500 GPM for 2 hrs

If system has chlorination treatment, does this treatment system chlorinate continuously?

(X) Yes                      ( ) No

Is the Water Utility located in an ADWR Active Management Area (AMA)?

(X) Yes                      ( ) No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?

( ) Yes                      (X) No

If yes, provide the GPCPD amount: \_\_\_\_\_

*Note: If you are filing for more than one system, please provide separate data sheets for each system.*

## EXHIBIT B

COMPANY NAME: Farmers Water Co.	9/30/13
Name of System: Sahuarita Highlands	ADEQ Public Water System Number: PWS 10-414

### WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2012

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
OCTOBER 12	78	425	407*	0
NOVEMBER 12	80	360	400	0
DECEMBER 12	85	403	435	0
JANUARY 13	86	401	377	0
FEBRUARY 13	87	362	362	0
MARCH 13	89	342	370	0
APRIL 13	97	630	643	0
MAY 13	99	569	537*	0
JUNE 13	98	856	882	0
JULY 13	101	686	750	0
AUGUST 13	105	549	684	0
SEPTEMBER 13	108	753	704*	0
TOTALS →		<del>6,336</del>	6,551	0

\*Within storage tank capacity.

What is the level of arsenic for each well on your system?  
(If more than one well, please list each separately.) S-28: 2.8 (ppb)

If system has fire hydrants, what is the fire flow requirement? 1500 GPM for 2 hrs

If system has chlorination treatment, does this treatment system chlorinate continuously?  
(X) Yes ( ) No

Is the Water Utility located in an ADWR Active Management Area (AMA)?  
(X) Yes ( ) No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?  
( ) Yes (X) No

If yes, provide the GPCPD amount: \_\_\_\_\_

**Note: If you are filing for more than one system, please provide separate data sheets for each system.**